



"Section 9007" Program (REAP): Renewable Energy Generation Systems

The Renewable Energy For America Program provides participating grant funds to rural small businesses & agricultural producers for the purchase & installation of renewable energy generation systems in rural areas. Energy efficiency projects are also eligible for assistance under this program.

Funds available

In 2008, up to \$34 million was awarded in Section 9007 assistance via a nationwide competition.

Grant size: **\$500,000 maximum** per renewable energy project (\$2,500 minimum per project)

Not to exceed 25% of the project cost

For FY 2009, grant applications accepted on dates specified in the published Notice of Funding Availability (NOFA). Loan applications may be submitted to Rural Development at any time.

Eligible applicants

Small businesses (as defined by SBA – see <http://www.sba.gov/size/summary-what-is.html>) that are located in rural areas (i.e., outside metropolitan statistical areas).

Agricultural producers – individuals or legal entities which receive at least 50% of their gross income from agriculture. (The permitted amount of agricultural income is not limited by SBA small business standards.)

Preference is given to "very small businesses" – those with <15 employees & <\$1 million in annual receipts.

The small business or agricultural producer must have a demonstrable financial need for the grant assistance.

Majority ownership must be held by US citizens or permanent residents.

Utilities are typically excluded unless they provide service to rural consumers on a cost-of-service basis without support from public funds or subsidy from the Government authority establishing the district. Utilities must also be independent of government control.

Nonprofits & public bodies are not eligible.

Eligible purposes

Purchase and installation *in a rural location* of a renewable energy generating system, limited to the following:

1. Biomass, bio-energy – producing fuel, thermal energy, or electric power from a biomass source (crops, trees, wood, plants, & their residues and fats, oils, & greases, but excluding animal waste, paper, & unsegregated solid waste)
2. Biomass, anaerobic digesters – producing thermal energy or electric power via anaerobic digestion using animal waste & other organic substrates
3. Geothermal, electric generation – producing electric power from the thermal potential of a geothermal source
4. Geothermal, direct use – producing thermal energy directly from a geothermal source
5. Hydrogen – projects that use mechanical or electric power or thermal energy from a renewable resource using hydrogen as an energy transport medium
6. Solar, small – electric projects with rated power ≤ 10 kW; thermal projects with rated storage ≤ 240 gallons
7. Solar, large – electric projects with rated power > 10 kW; thermal projects with rated storage > 240 gallons
8. Wind, small – systems with a ≤ 100 kW-rated wind turbine & with a generator hub height of ≤ 120 feet
9. Wind, large – systems with a > 100 kW-rated wind turbine
10. Hydroelectric – electric power from micro-hydro projects

Preference is given for technology that is "**commercially available**" – i.e., that has a proven operating history and has an established design, installation, & service industry. *Pre-commercial technologies* – i.e., those that have emerged through the R&D process and have commercial potential – may also qualify. Experimental or R&D projects are not eligible.

The applicant must own & control of the system, though a qualified third-party may be engaged to operate it.

Authorized uses

- Renewable energy machinery & equipment – purchase & installation (costs incurred *after* applying)
- Renewable energy real estate improvements – materials & construction (costs incurred *after* applying)
- Permits, professional fees, feasibilities studies, business plans, & energy assessments.

Additional application & program requirements

Matching funds – 75% of the project cost must come from non-Federal funds. “In-kind” contributions from third parties of up to 10% of the project cost may be counted toward the match. “In-kind” contributions from the applicant receive no credit toward the match.

Feasibility study – a detailed, project-specific study by an *independent* consultant is required with the application. (Applications for <\$50,000 are exempt from this requirement.)

Technical report – a detailed, project-specific report by a *professional engineer (PE)* is required with the application. (Applications for <\$50,000 may be exempt from this requirement.) This should include design drawings & process flow charts.

Established market for energy to be generated – projects to be interconnected with an electric utility must have an *interconnection agreement* (or letter of intent) or *power purchase agreement* at the time of application.

Priority Point System

9007 applications are competitively chosen for funding based on the following weighted selection criteria:

Max Points	Grant selection criteria
15	Energy replaced, saved, or generated
5	Environmental benefits – health & safety standards exceeded or environmental goals achieved
10	Commercial availability of the system
10% of 35pts	Technical merit score – qualifications of the project team
5% of 35pts	Technical merit score – agreements & permits
10% of 35pts	Technical merit score – energy or resource assessment
30% of 35pts	Technical merit score – design & engineering
5% of 35pts	Technical merit score – project development schedule
20% of 35pts	Technical merit score – financial feasibility
5% of 35pts	Technical merit score – equipment procurement
5% of 35pts	Technical merit score – equipment installation
5% of 35pts	Technical merit score – operations & maintenance
5% of 35pts	Technical merit score – decommissioning
15	Readiness (commitment of matching funds)
15	“Smallness” of the applicant (based on annual gross revenue)
10	Not a previous 9006 or 9007 recipient
5	Time requirement for project to repay cost of investment

Shaded points are awarded by independent technical review committees; other points awarded by USDA.

Helpful Section 9007 links

FY2009 Notice Inviting Applications will be published in the **Federal Register** early in Year 2009.

The notice will refer to Instruction 4280 and explain eligibility, program criteria, the application process, required application contents, USDA’s scoring system, & the selection process:

<http://www.rurdev.usda.gov/regs/regs/pdf/4280b.pdf>

Section 9007 (REAP) information is on-line at: <http://www.rurdev.usda.gov/rbs/farmbill/index.html>

For more information contact:

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